

Summary of Legislative Actions Regarding Tax Preferences: 2017 Legislative Sessions

The tables on the following pages summarize legislative actions during the 2017 sessions related to tax preferences.

In addition, the Legislature made a major change to beneficiary reporting requirements in ESHB 1296:

- Consolidates the current accountability “surveys” and “reports” into one: an annual tax performance report
- Beneficiaries may authorize the Employment Security Department to release employment information
- The information is generally disclosable
- Includes an explicit directive to the Department of Revenue to collect information JLARC may require as part of its analysis
- Applies to an estimated 45 current preferences as well as preferences created, extended, or expanded in the future if the purpose is to improve industry competitiveness, or, to create or retain jobs

The tables include information on:

- New tax preferences (8)
- Preferences that were expanded or extended (4)
- Preferences that were changed AND were previously reviewed by JLARC (9)
- Preferences that were repealed or allowed to expire (6)

New Tax Preferences

Tax Preference	Public Policy Objective (PPO)/ JLARC study assignment	Expiration Date
Agricultural Fertilizer and Seed Wholesaling B&O Tax Exemption	<ul style="list-style-type: none"> • Reduce structural inefficiencies and provide tax relief • JLARC to report number of wholesalers using preference 	January 1, 2027
Bottled Water – Prescribed and Drinking Water for Persons with Unsafe Drinking Water Sales/Use Tax Exemption (Broad exemption for bottled water repealed and two more limited exemptions added)	<ul style="list-style-type: none"> • No PPO stated • No JLARC study assignment 	To be determined
Community or Technical College Facility Use Leasehold Excise Tax Exemption (For leasehold interests held by food service providers, bookstores, maintenance or administrative service providers)	<ul style="list-style-type: none"> • Reduce structural inefficiencies and LET tax for certain taxpayers • Exempt from review 	Exempt – no expiration date
Disabled Veteran Adapted Housing Sales/Use Tax Exemption (State sales tax only in form of refund, construction materials, labor, services, per project and annual caps)	<ul style="list-style-type: none"> • Tax relief to disabled veterans who need adaptive work on their homes • JLARC to report on refunds provided and total VA housing grants awarded 	January 1, 2028
Martial Arts - Exclusion from Definition of Retail Sale	<ul style="list-style-type: none"> • No PPO stated • Exempt from review 	Exempt – no expiration date
Multipurpose Senior Citizen Center Property Tax Exemption	<ul style="list-style-type: none"> • No PPO stated • JLARC to report on number of centers exempted after preference passed 	January 1, 2028
Silicon Smelter Preference Package – B&O, Public Utility, and Use Tax (Package of preferences to encourage former aluminum smelter to start smelting silicon)	<ul style="list-style-type: none"> • Create jobs and provide tax relief, promote manufacturing silicon for use in making photovoltaic cells for solar energy systems • JLARC to report on a several metrics provided in bill • Clawback if job numbers and wages are below certain level 	July 1, 2027, or July 1, 2024, if clawback triggered
State College and University Leasehold Excise Tax Credit (Credit for amount LET exceeds property tax that would be due if property privately owned. Only available if market value over \$10 million)	<ul style="list-style-type: none"> • Reduce structural inefficiencies and reduce LET tax for certain taxpayers • JLARC to compare LET paid by credit claimants to property tax paid by surrounding properties 	January 1, 2032

Extended or Expanded Tax Preferences

Tax Preference	Public Policy Objective (PPO)/ JLARC study assignment	Expiration Date
Clean Alternative Fuel Commercial Vehicle B&O/Public Utility Tax Credit (Increased credit available per vehicle and time period to receive qualifying vehicle. Expanded credit to apply to older, more used vehicles)	<ul style="list-style-type: none"> • Induce certain behaviors, increase number of commercial vehicles using clean fuels • JLARC to report on number of clean alternative fuel commercial vehicles registered in state 	January 1, 2022
Historic Auto Museum Sales/Use Tax Deferral (Extends start date to begin repayment from five to ten years after construction completed)	<ul style="list-style-type: none"> • Tax relief for certain businesses, increase fiscal stability of historic auto museums, strengthen economic vitality of surrounding communities • JLARC to evaluate but no metrics provided 	Not provided
Invest in WA Program Sales/Use Tax Deferral (Expands cap on sales/use tax deferral for building construction/ expansion and equipment purchases for certain manufacturing businesses from five total projects to allow two new projects per year, one in Eastern WA, one in Western WA)	<ul style="list-style-type: none"> • Create and retain jobs, provide funding for job readiness training, professional development, or apprenticeship programs in manufacturing or production occupations • JLARC to determine if each project generated at least 20 full time jobs and increased training opportunities 	January 1, 2026
Main Street B&O/ Public Utility Credit Program (Increased total program credit totals per calendar year, other administrative changes)	<ul style="list-style-type: none"> • Promote contributions to main street programs, enhance community/economic revitalization of main street business districts • JLARC to compare number of businesses in main street communities compared to prior to program 	January 1, 2028

Tax Preferences Previously Reviewed by JLARC

Tax Preference	Public Policy Objective (PPO)/ JLARC study assignment	Expiration Date
Customer Generated Power Public Utility Tax Credit Program (Current program replaced with new program that increases credit for utilities and allows continued expansion of program)	<ul style="list-style-type: none"> • Increase energy independence from fossil fuels, promote economic development through clean energy technology, and increase jobs in and sustainability of clean energy technology • JLARC to review in 2021 on four specific metrics 	January 1, 2030
Enhanced Food Fish Tax, Differential Rates (Clarified fish subject to various rates, reduced rate for sea urchins and sea cucumbers)	<ul style="list-style-type: none"> • No PPO stated • No JLARC study assignment 	Not provided
Extracted Fuel Use Tax Exemption (Repealed for all but biomass fuel. Refineries no longer may use. Refinery fuel gas is also subject to a new, unique use tax rate)	<ul style="list-style-type: none"> • No PPO stated • No JLARC study assignment 	To be determined
Motion Picture and Film Industries B&O Tax Credit (Extends expiration date and expands industries eligible, reduces maximum any one taxpayer can claim per calendar year)	<ul style="list-style-type: none"> • Create and retain jobs, increase vitality of motion picture, film industry, and associated creative industries • JLARC to determine if jobs in eligible projects increased 10% over 2016 levels 	July 1, 2027
Renewable Energy Machinery and Equipment Sales/Use Tax Exemption (Narrowed 75% refund to exclude systems generating 500KW or less)	<ul style="list-style-type: none"> • No PPO stated • No JLARC study assignment <p><i>Note: Removed from 2017 review— Legislature narrowed beneficiaries, and, limited use</i></p>	January 1, 2020
Semiconductor Manufacturing – Package of 8 Unused Tax Preferences (Set expiration date for all preferences if \$1 billion investment does not occur by January 1, 2024)	<ul style="list-style-type: none"> • No PPO stated • No JLARC study assignment 	January 1, 2024
Semiconductor Manufacturing B&O Preferential Rate and Gases and Chemicals Sales/Use Tax Exemption (Extended expiration dates and added clawbacks for both preferences)	<ul style="list-style-type: none"> • Induce certain behaviors, improve industry competitiveness, create or retain jobs • For B&O rate, JLARC to determine if at least one project locates in Clark Co that generates at least 2,500 high-wage jobs at certain dollar levels. For sales/use tax exemption, review if job numbers are same or more than 2015 and at least 60% earn \$60,000/year • Claw back of 50% of preference if employment levels less than 90% of prior average 	January 1, 2028

Small Solar Energy Machinery and Equipment Sales/Use Tax Exemption (Narrowed full exemption to apply only to solar hot water systems)	<ul style="list-style-type: none"> • No PPO stated • No JLARC study assignment <i>Note: Removed from 2017 review—Legislature narrowed beneficiaries, and, limited use</i>	June 30, 2018
Solar Silicon Manufacturing Preferential B&O Tax Rate (Extended expiration date)	<ul style="list-style-type: none"> • Improve industry competitiveness and grow jobs • JLARC to measure number of jobs in industry compared to 2015 and determine if at least 60% earn \$60,000 or more annually 	July 1, 2027

Expired Tax Preferences

- Biotechnology Manufacturing Sales/Use Tax Exemption – January 1, 2017
- Rural Electric Cooperative Finance Organization B&O Tax Exemption – July 1, 2017
- Clay Targets for Nonprofit Gun Clubs Sales/Use Tax Exemption – July 1, 2017
- Flavor-Imparting Items for Restaurants Sales/Use Tax Exemption – July 1, 2017
- Fuel Used by Mint Growers – July 1, 2017

Repealed Tax Preferences

- Sellers with Limited Washington Connection – July 7, 2017